

FW: Economic Impacts of Blockades at Border Crossings

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Date: Fri, 18 Feb 2022 22:14:05 +0000
Attachments: Backgrounder on Ambassador Bridge Blockade_Feb 11.docx (1.1 MB)

Tansport Canada

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Subject: RE: Economic Impacts of Blockades at Border Crossings

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Hi Julie,

Thanks for the follow up and your comments.

Two things:

1. You will find attached, for your information, our integrated document on the economic impacts of the blockade. We will send it to our DM and MINO over the week end.
Key highlights are :
 - * The Ambassador Bridge is the busiest crossing along the Canada-U.S. border handling over around \$390 million of trade/day representing 26% of the country's exports and 33% imports by road. The bridge records more than 7,000 daily commercial vehicle crossings daily
 - * It is estimated that the cost to the Canadian economy of a full shutdown of the bridge would likely be in the range of \$45M/day over the first week based on current mitigation efforts put in place by shippers and available alternative options. However, the impact could reach \$86M/day to \$161M/day (extreme case) in the event where other crossings become unavailable and the situation drags on in length.
 - * The impact will be especially acute for manufacturers, but especially the auto sector given its high concentration in Southern Ontario, its high integration with the US, and the just-in-time nature of its business model. Automakers in Canada and the US, including Ford, Toyota and Honda, have already started scaling back or cancelling production.
 - * From Monday to Thursday, February 7th-10th, the blockade at the Ambassador Bridge has diverted traffic away to nearby crossings, with Sarnia absorbing most of the excess traffic

(100% increase) but also Fort Erie and Queeston (30% increase). The current net cumulative weekly effect (-7%) is relatively small. The rerouting of traffic however erodes the number of hours truckers are able to drive as per safety regulations and adds significant costs to the industry.

* This disruption adds to pandemic-related supply chain disruptions, such as the semiconductor shortages, truck labour shortage and the recent BC flooding.

2. Here are some answers to your comments/questions. Happy to discuss further

- What do you assume in terms of % of impacted shipments that are able to divert to other crossings (e.g., Sarnia/Niagara land crossings; rail; air)?

These estimates were made trying to capture the potential impact of a bridge closure. We are fully aware that our “high” scenario assumes a very large impact. Therefore, it should be interpreted as upper threshold. Our scenarios do not consider any diversions to other crossings.

- The estimates only capture the Ambassador Bridge blockage. Would it be reasonable to scale up the estimates based on total trade flows impacted at all border crossings (i.e., Ambassador + Coutts + Emerson)? Or would we expect different impacts (given different type of sectors impacted, some flowing through crossings, etc.)?

Our estimates exclusively consider the Ambassador bridge blockade. In our model we shock commodities imported and exported via the bridge, using data from TC's trade database. The closure of other bridges would have a different impact on industries and sectors, according to the specific value of goods exported and imported. To grasp this, we would need to run a separate input for each bridge.

- What is the time horizon for the first-week impacts? Do they represent a full-week closure or a part-week closure (i.e. Feb 7 to 12)? Are they in nominal or real dollars?

The estimates are in nominal dollars. We estimated the daily impact of a bridge closure on GDP. No assumptions were made regarding the specific duration of the bridge closure, provided it lasts shorter than one week.

- What should we expect for week two if the blockade continues? By roughly how much could we expect impacts to increase?

To answer this question, we would have to re-run the model with the assumptions for week 2. The upper threshold (the “high” scenario) would not change. In the past we ran analysis for other disruptions, in which the impact for week 2 were up to 3.5 times higher than the impact during the first week. However, the methodology used cannot be exactly compared with the one used for the Ambassador Bridge, as we assumed an immediate impact on the automotive sector. Therefore, the increase during the second week can be expected to be less than the one obtained previously.

Have all a nice week end !

Christian

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Thanks Christian, much appreciated and very useful analysis – these scenarios will definitely help refine our GDP impact estimates.

At first glance, impacts seem large to us, especially scenarios 2-3, implying limited diversion options and high sensitivity to any delays.

I heard from our colleagues at ITF that “it appears GM is seeking to rent an ice-breaker and transport vehicles and parts via the Great Lakes, and has worked with CBSA to ensure clearance.” That’s creativity.

A few clarification questions from the team, if you can shed some light on these:

- What do you assume in terms of % of impacted shipments that are able to divert to other crossings (e.g., Sarnia/Niagara land crossings; rail; air)?
- The estimates only capture the Ambassador Bridge blockage. Would it be reasonable to scale up the estimates based on total trade flows impacted at all border crossings (i.e., Ambassador + Coutts + Emerson)? Or would we expect different impacts (given different type of sectors impacted, some flowing through crossings, etc.)?
- What is the time horizon for the first-week impacts? Do they represent a full-week closure or a part-week closure (i.e. Feb 7 to 12)? Are they in nominal or real dollars?
- What should we expect for week two if the blockade continues? By roughly how much could we expect impacts to increase?

We will share our assessment once refined.

Thanks again for your help, much appreciated,

Julie

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Bonjour Julie,

Merci de partager votre analyse préliminaire.

On termine de notre cote notre analyse de l'impact économique. On a estime 3 "trade shocks" (voir note préliminaire ci-jointe).

Key highlights are:

- **Trade shock 1** assumes that most industries, except for those in the automotive sector, are able to mitigate the impact of a closure to a considerable degree by relying on stored inputs over the coming days (\$45M per day of net economic lost).
- **Trade shock 2** assumes that the bridge closure forces the shutdown of a wider array of manufacturing industries due to the lack on input and inability to export (\$86M per day of net economic lost).
- **Trade shock 3** assumes that lost imports and exports lead to widespread shutdowns and production outages across the Canadian economy (about \$160M per day of net economic lost) .

Results suggest that the closure of the bridge will result in net losses to Canadian GDP ranging from **\$45 to \$160 million per day**.

We will continue to refine our estimates on three key elements : i) scope and the depth of sectors affected, ii) potential mitigation factors such as alternative modes/routes for delivery (preliminary analysis reveals very limited capacity) and iii) duration of the shock on the supply chain.

Je vais te faire parvenir quelques maps et un sommaire de notre analyse demain.

Bonne soiree !

Christian

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Bonjour Christian,

Merci encore pour le backgrounder hier, très apprécié.

Voici notre note très préliminaire qui a été partagé avec le Sous-Ministre.

Comme tu peux voir ceci reste assez high-level à ce stade, et l'emphase a été mise sur les impacts potentiels « élevés » dans le cas de perturbations persistantes et des difficultés possibles de diversion du commerce. On regarde pour quantifier ceci évidemment. Laisse-moi savoir si c'est cohérent avec votre propre analyse, et si vous avez des intels plus précis. Notamment, quel est le potentiel de diversion possible vers d'autres modes de transports ou autres passages à la frontière?

Également, est-ce que vous auriez une liste des infrastructures de transport clés (en terme d'impacts économiques), et qui pourraient être à risque de perturbations?

Merci,

Julie

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